

Message Text

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PAGE 01 STATE 080044

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ORIGIN SEC-01

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APPROVED BY ARA/CAR:TJCHEAVNER

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FM SECSTATE WASHDC

TO AMEMBASSY KINGSTON PRIORITY

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E.O 11652: N/A

TAGS: EINV, JM

SUBJECT: GOJ OFFER TO BUY JAMAICA TELCO STOCK

REF: KINGSTON 0799

1. GOVT OF JAMAICA, WHICH IS OWNER OF TEN PERCENT OF ORDINARY STOCK UNITS IN JAMAICA TELEPHONE COMPANY LTD, HAS MADE FINAL OFFER TO ACQUIRE ALL OF REMAINING UNITS AT PRICE OF DOLS 91.84 PER UNIT. PAYMENT IS TO BE MADE BY ISSUANCE OF 15-YEAR NON-NEGOTIABLE AND NON-TRANSFERABLE PROMISSORY NOTES.

2. OFFER IS TO REMAIN OPEN UNTIL APRIL 30, OR SUCH LATER DATE AS GOVT IN ITS ABSOLUTE DISCRETION MAY DECIDE.

3. MORGAN GUARANTY TRUST COMPANY OF NEW YORK ISSUES AMERICAN DEPOSITARY RECEIPT FOR ORDINARY STOCK UNITS OF JAMAICA TELEPHONE AND HAS APPROXIMATELY 1.8 MILLION
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PAGE 02 STATE 080044

DEPOSITARY SHARES OUTSTANDING WHICH ARE HELD BY APPROXI-

MATELY 1,100 HOLDERS. ON JUNE 30, 1975, THERE WERE
45 MILLION ORDINARY STOCK UNITS OUTSTANDING.

4. THIS OFFER BY GOVT OF JAMAICA HAS NOT BEEN REGISTERED
WITH US SECURITIES AND EXCHANGE COMMISSION. IT APPEARS
TO SEC STAFF THAT TRANSMITTAL OF THIS OFFER TO HOLDERS
OF AMERICAN DEPOSITORY RECEIPTS OR ORDINARY STOCK UNITS
OF JAMAICA TELEPHONE IN US WOULD VIOLATE REGISTRATION
REQUIREMENTS OF SECURITIES ACT OF 1933 (15 USC 77E).

5. IN OPINION OF SEC STAFF, UNDER PRESENT CIRCUMSTANCES,
MORGAN GUARANTY CANNOT TRANSMIT OFFER BY GOVT OF JAMAICA
TO PRESENT HOLDERS OF ADR'S WITHOUT SUBJECTING ITSELF
TO POSSIBLE ENFORCEMENT ACTIONS FOR VIOLATING US SECURI-
TIES LAWS.

6. SEC HAS BEEN INFORMED THAT MORGAN GUARANTY, THROUGH
ITS CUSTODIAN ROYAL BANK OF CANADA, IS ASKING THE GOVT
OF JAMAICA TO EXTEND THIS OFFER SO THAT IT CAN DISMANTLE
ITS ADR MECHANISM FOR THESE STOCK UNITS AND HAVE UNDER-
LYING STOCK UNITS TRANSFERRED TO HOLDERS OF ADR'S.

7. FROM US POINT OF VIEW, BEST SOLUTION TO PROBLEM
WOULD BE FOR GOVT OF JAMAICA TO REGISTER THIS OFFERING
WITH US SECURITIES AND EXCHANGE COMMISSION. HOWEVER,
BECAUSE OF EXPENSE INVOLVED IN SUCH REGISTRATION (APPROXI-
MATELY DOLS 125,000 AND FACT THAT ONLY 4 PERCENT OF
THESE STOCK UNITS ARE REPRESENTED BY ADR'S, IT MAY BE
RELUCTANT TO DO SO.

8. FYI ONLY: SEC STAFF CAN RECOMMEND THAT 15-YEAR
PROMISSORY NOTES TO BE ISSUED BY GOVT OF JAMAICA BE
PLACED ON SEC'S FOREIGN RESTRICTED LIST. THIS WOULD,
IN EFFECT, PROHIBIT TRANSACTIONS IN THEM BY US BROKER
DEALERS. SEC STAFF WILL ALSO CONSIDER WHETHER US
TRADING IN ORDINARY STOCK UNITS OF JAMAICA TELEPHONE
SHOULD BE SUSPENDED UNTIL ADEQUATE INFORMATION CONCERNING
OFFER HAS BEEN MADE AVAILABLE TO ALL AMERICAN INVESTORS.
END FYI.

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PAGE 03 STATE 080044

9. ACTION REQUESTED: EMBASSY SHOULD INFORM APPROPRIATE
GOJ OFFICER OF SEC VIEWS. DEPT BELIEVES, HOWEVER, THAT
BECAUSE OF HIGHLY TECHNICAL NATURE OF PROBLEM, SEC
SHOULD BRIEF ASAP EMBASSY OF JAMAICA REP ON REGISTRATION
REQUIREMENTS AND DISCUSS SITUATION FULLY WITH REP,
INCLUDING POSSIBLE ALTERNATIVES IF REGISTRATION NOT
FEASIBLE. SEC OFFICIAL TO BE CONTACTED IS IRA H.
PEARCE, SPECIAL COUNSEL, AT (202) 755-1256. KISSINGER

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